

## **MINUTES**

### **MONTANA SENATE 56th LEGISLATURE - REGULAR SESSION**

#### **COMMITTEE ON EDUCATION AND CULTURAL RESOURCES**

**Call to Order:** By **CHAIRMAN DARYL TOEWS**, on March 5, 1999 at 3:06 P.M., in Room 402 Capitol.

#### **ROLL CALL**

**Members Present:**

Sen. Daryl Toews, Chairman (R)  
Sen. Bill Glaser, Vice Chairman (R)  
Sen. Jon Ellingson (D)  
Sen. Alvin Ellis (R)  
Sen. John Hertel (R)  
Sen. Debbie Shea (D)  
Sen. Mike Sprague (R)  
Sen. Spook Stang (D)  
Sen. Mignon Waterman (D)  
Sen. Jack Wells (R)

**Members Excused:** Sen. Bob Keenan (R)

**Members Absent:** None.

**Staff Present:** Eddye McClure, Legislative Branch  
Janice Soft, Committee Secretary

**Please Note:** These are summary minutes. Testimony and discussion are paraphrased and condensed.

**Committee Business Summary:**

Hearing(s) & Date(s) Posted: HB 103, 2/22/1999  
HB 71, 2/22/1999  
Executive Action: None

#### **HEARING ON HB 103**

**Sponsor:** REP. RAY PECK, HD 91, Havre

**Proponents:** Kathy Fabiano, Office of Public Instruction  
Lance Melton, Montana School Boards Association  
Loran Frazier, School Administrators of Montana  
John Hebnes, Seeley Lake Elementary  
Brian Barrows, Chester Public Schools  
Lynda Brannon, Montana Association of School  
Business Officials & Indian Impact  
Schools

**Opponents:** None.

**Opening Statement by Sponsor:**

**REP. RAY PECK, HD 91, Havre,** said this bill was a return to what HB 667 was when it was passed in 1993; school boards could permissively adopt budgets up to the greater of the actual dollar amount of the previous year's budget or the budget per ANB of the prior year. The wording returned to the fact there's a specified levy rather than a budget amount so the people actually knew what the dollar amount was.

**Proponents' Testimony:**

**Kathy Fabiano, Office of Public Instruction (OPI),** said **HB 103** was introduced at the request of OPI and: (1) Cleaned up language in Section 1 which contained obsolete language; (2) Clarified which districts could adopt budgets which were over their maximum budget limit; (3) Amended the ballot language for districts' General Fund elections because the usual voter expectation was if they voted "yes" at a budget election, property taxes would increase, and that wasn't always the case. Districts were required to get voter approval to increase their budget or spending authority and the districts might get the funding sources other than local property taxes; (4) Amended the General Fund voting provisions to make the starting point for district's vote on budget authority the **greater of** either last year's budget or last year's budget per ANB times current ANB.

**Ms. Fabiano** said a district with growing enrollment could adopt a budget equal to last year's without a vote but a district which was losing enrollment must reduce its budget from last year for each student lost; however, a district's cost might not decrease proportionately when its ANB declined because there were fixed costs that remained the same regardless of enrollment changes. Also, unless the number of students lost was at one grade level, the declining enrollment didn't necessarily translate to a reduction in the number of teachers. She said it was true that permissively adopting a budget with fewer ANB (last year's budget this year with fewer ANB) would result in a higher permissive

budget for students; it was a fact that statewide, smaller districts spent more per student than larger ones.

**Lance Melton, Montana School Boards Association (MSBA)**, said they supported the bill. He stated the issue of school funding at the local level was very similar to that at the state level, but the perception among the voters was school budgets were skyrocketing through the ceiling. The fact was, increases in school funding were not characterized the same way as in other government spending. This bill allowed the districts to adopt a budget, in most instances, where there would be no total tax increases, i.e. fit nicely with the principles in CI-75. He commented this was a sound bill and just because school funding was convoluted and complicated, it didn't need to be punishing to the local districts. They needed the same flexibility as other local governments in being able to maintain budgets when there was fluctuation in that enrollment.

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**Loran Frazier, School Administrators of Montana (SAM)**, said they urged the Committee's support because **HB 103** was a good bill. He also distributed copies of written testimony by **Don Waldron, Montana Rural Education Association & Montana Association of County Superintendents of Schools**, who couldn't be present to testify but wanted to be on record as supporting the bill **EXHIBIT (eds50a01)**.

**John Hebnes, Seeley Lake Elementary School**, distributed copies of **EXHIBIT (eds50a02)** and said they were growing rapidly, so they put forth a bond issue to the voters for building a new school. However, after that the enrollment declined. Now, when the school went to the voters and asked for increases in school funding authority, the voters couldn't understand why that was necessary. This bill would allow them to keep their same budget instead of having to cut something. He urged support for the bill.

**Brian Barrows, Superintendent, Chester Public Schools**, said his district had some problems and **HB 103** would give them a more constant figure to look at as they planned for the future. He said they had some classes which weren't full, yet they weren't small enough to combine. One consideration might be to combine classes, which would make them larger than accreditation standards, and take a ding from OPI. He said they were looking at a \$170,000 total cut because of declining enrollment. He urged the Committee to support **HB 103**.

**Lynda Brannon, Indian Impact Schools & Montana Association of School Business Officials (MASBO)**, said both entities supported the bill.

**Opponents' Testimony:** None.

**Questions from Committee Members and Responses:**

**SEN. MIKE SPRAGUE** asked if the ballot language would be that of Page 8, Lines 18-19, and **Kathy Fabiano** affirmed.

**SEN. SPRAGUE** asked if most people really understood that language. **Ms. Fabiano** said most people didn't understand the current ballot language and the proposed language was attempting to make the effect on their local taxes clearer.

**SEN. SPRAGUE** commented this language didn't say anything about the consequences of the increase. It sounded like a permissive request which would not state the consequences. He suggested it was unfair to take the language, submit it to the voters and assume they understood it. **Kathy Fabiano** said this language would tell the voter the number of mills in the General Fund the district was currently levying. If he or she approved the ballot, it would tell the voter whether there would be a mill increase, decrease or status quo.

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**SEN. ALVIN ELLIS** asked if it would still be fair if the language was included with the acknowledgment of the increase for ANB. **Kathy Fabiano** said it would be fine.

**SEN. DARYL TOEWS** asked if OPI would approve language which would say reduction enrollment would return to last year's budget as long as it didn't exceed the maximum budget by a certain percentage. **Kathy Fabiano** said if a district lost so much enrollment that its maximum budget was less than its prior year budget, the district would have to come down; it could never budget more than its maximum budget. In other words, the district would have to budget somewhere between its base and its maximum.

**SEN. SPRAGUE** commented the legislature liked the public's perception education was being granted an increase. **Lance Melton** said his suggestion was two wrongs made a right and he didn't approve.

**Closing by Sponsor:**

**SEN. RAY PECK** had to leave immediately after his opening so the hearing on **HB 103** was considered closed.

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**HEARING ON HB 71**

**Sponsor:** **REP. JOHN "SAM" ROSE, HB 87, Choteau**

**Proponents:** **Lance Melton, Montana School Boards Association  
Loran Frazier, School Administrators of Montana  
Kathy Fabiano, Office of Public Instruction  
Brian Barrows, Superintendent, Chester Public  
Schools**

**Opponents:** **None**

**SEN. DARYL TOEWS** distributed copies of **EXHIBIT(eds50a03)** for the Committee's consideration as it related to **HB 71**.

**Opening Statement by Sponsor:**

**REP. JOHN "SAM" ROSE, HD 87, Choteau,** said this bill addressed a "grass roots" problem, which is found throughout Montana. He recounted how HB 667 was passed in 1993 to meet a judicial mandate of equalized education. At that time, enrollments were increasing and when HB 667 was crafted, it didn't contemplate declining enrollments. He stated declining enrollments had tremendous effects on school district budgets, particularly those which were at maximum budgets because under law, they were required to keep their budgets at the same level year after year but were required to decrease their budgets in cases of declining enrollments. These budgets had to be decreased even though there were no reductions in costs, which was the hardest thing for the voting public to accept. He explained students rarely left schools in groups. Rather, the enrollment decline was spread throughout the system. He said this bill was attempting to keep the impact all at once on these schools, i.e. drop 4% per year in order to soften the blow.

**Proponents' Testimony:**

**Lance Melton, Montana School Boards Association (MSBA),** distributed copies of **EXHIBIT(eds50a04)** and **EXHIBIT(eds50a05)** and based most of his testimony on **EXHIBIT 5**. He explained this bill was all about voter approval and only operated if the voters said

"yes." He said **HB 71** was specifically designed for the school districts at the maximum. If districts which were not at the maximum saw an enrollment decline, they could get voter approval to grow back up. He reminded the Committee **HB 71** allowed for a five-year measured step-down, i.e. time to get used to the enrollment trend in the district. He declared this bill was for the small school districts because the AA districts were not experiencing the big percentage of declining enrollment. He urged support for **HB 71**.

**Loran Frazier, School Administrators of Montana (SAM)**, read his written testimony **EXHIBIT**(eds50a06).

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**Kathy Fabiano, Office of Public Instruction (OPI)**, said they supported **HB 71** because it gave districts which were experiencing declining enrollments the time and flexibility to react without jeopardizing the equalizations of **HB 667**. She said OPI also liked the bill because of the 4% limit on the budget reductions, which was consistent with the 4% budget growth restriction in that bill. She remarked another reason OPI approved of **HB 71** was it had no fiscal impact on the state funding for schools.

**Brian Barrows, Superintendent, Chester Public Schools**, said they were looking at a 16% elementary budget cut since they were at the cap, a 4.2% cut in the high school and an anticipated enrollment cut in the next three to four years of about a 16% cut. He said the cuts would eliminate some things: \$79,900 from their technology plan, \$8,400 from field trips, \$16,000 in supplies, fuel & transportation, an administrative position, teaching positions, etc. He reminded the Committee when there was a reduction in force, as per the district agreements, it was usually the lowest-paid, not the most expensive, teachers who were laid off. He urged the Committee to pass **HB 71**.

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**Opponents' Testimony:** None.

**Questions from Committee Members and Responses:**

**SEN. ALVIN ELLIS** said he understood this bill would put both **Mr. Barrows'** districts out of equalization and go above the caps.

**Kathy Fabiano** said that was true because they had exceeded the cap and would be required to come down 4% per year until they had reached their maximum budget.

**SEN. ELLIS** commented once a district was outside the caps, a different law applied and wondered what would prevent them from asking the voters to remain there. **Kathy Fabiano** said this bill would require they came down at a rate of 4% per year, i.e. they could not stay above maximum.

**SEN. ELLIS** asked how it was fair to ask them to come down when a similar-sized district, spending the same amount of money, wouldn't have to. **Ms. Fabiano** said under this bill without the amendments, even a grandfathered, similar-sized district over the max (there were 29 of them), would have to start coming down at the rate of 4% per year. In other words, all districts would have to start coming down. The gray bill **(EXHIBIT 5)** would exclude those 29 districts.

**SEN. MIGNON WATERMAN** asked how many students the Chester schools lost. **Brian Barrows** said the number was 26 overall.

**SEN. DARYL TOEWS** said it looked like there would be a reduction of 30% over time in the Chester schools. **Mr. Barrows** said they were anticipating another cut next year.

**SEN. ELLIS** wondered how those declining enrollment problems were different from those in other schools with similar enrollments and budgets. He said he understood the problem of equalization being a strait jacket but since equalization was now here, schools should stay within it. **Brian Barrows** said the change in their district was a dramatic change and if they had time to bring it down, it would be easier to keep a consistent staff.

**Closing by Sponsor:**

**REP. JOHN "SAM" ROSE** said as he and others began working on this bill, it became evident that about half of the districts were experiencing declining enrollment, and this was having a real impact in Montana's smaller schools.

**ADJOURNMENT**

Adjournment: 4:03 P.M.

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SEN. DARYL TOEWS, Chairman

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JANICE SOFT, Secretary

DT/JS

**EXHIBIT (eds50aad)**